

**LEVAN TOWN, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2006**

LEVAN TOWN

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2006

	Starting on Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	11
Statement of Activities	12
FUND FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS	
Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balances	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	17
Budgetary Comparison Schedule	18
PROPRIETARY FUNDS	
Statement of Net Assets	19
Statement of Revenues, Expenses and Changes in Fund Net Assets	20
Statement of Cash Flows	21
NOTES TO THE FINANCIAL STATEMENTS	23
SUPPLEMENTARY INFORMATION	
COMBINING FUND STATEMENTS	
NONMAJOR GOVERNMENTAL FUNDS	
Combining Balance Sheet	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	38
NONMAJOR ENTERPRISE FUNDS	
Combining Statement of Net Assets	39
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	40
Combining Statement of Cash Flows	41
STATE LEGAL COMPLIANCE REPORT	
INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE	42
GOVERNMENT AUDITING STANDARDS REPORT	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	44

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

August 30, 2006

**Honorable Mayor
Members of the Town Council
Levan Town, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of Levan Town, Utah (Town) as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 30, 2006 on my consideration of Levan Town, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise Levan Town's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 CPA
Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Levan Town, we offer readers of Levan Town's financial statements this narrative overview and analysis of the financial activities of Levan Town for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net assets of Levan Town increased \$59,567 to \$2,263,317. The governmental net assets increased by \$21,432 and the business-type net assets increased by \$38,135.
- The total net assets of \$2,263,317 are made up of \$1,755,054 in capital assets, net of related debt and \$508,263 in other net assets.
- The General Fund (the primary operating fund) had a increase in its fund balance of \$94,730.

REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Levan Town's basic financial statements. Levan Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide the reader with a broad overview of Levan Town's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Levan Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Levan Town is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- *The statement of activities* presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Levan Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 11-13 of this report.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Levan Town also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds-** These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund.

- **Proprietary funds-** Levan Town maintains one type of proprietary funds, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Levan Town uses enterprise funds to account for its Electric, Water, Natural Gas, and Cable activities. As determined by generally accepted accounting principles, the Electric, Water and Natural Gas enterprise funds meet the criteria for major fund classification. The other enterprise fund (Cable) is classified as non-major and is included in the combining statement within this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Levan Town, assets exceed liabilities by \$2,263,317.

By far the largest portion of Levan Town's net assets (77.5%) reflects its investment in capital assets (e.g., land, buildings, infrastructures assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

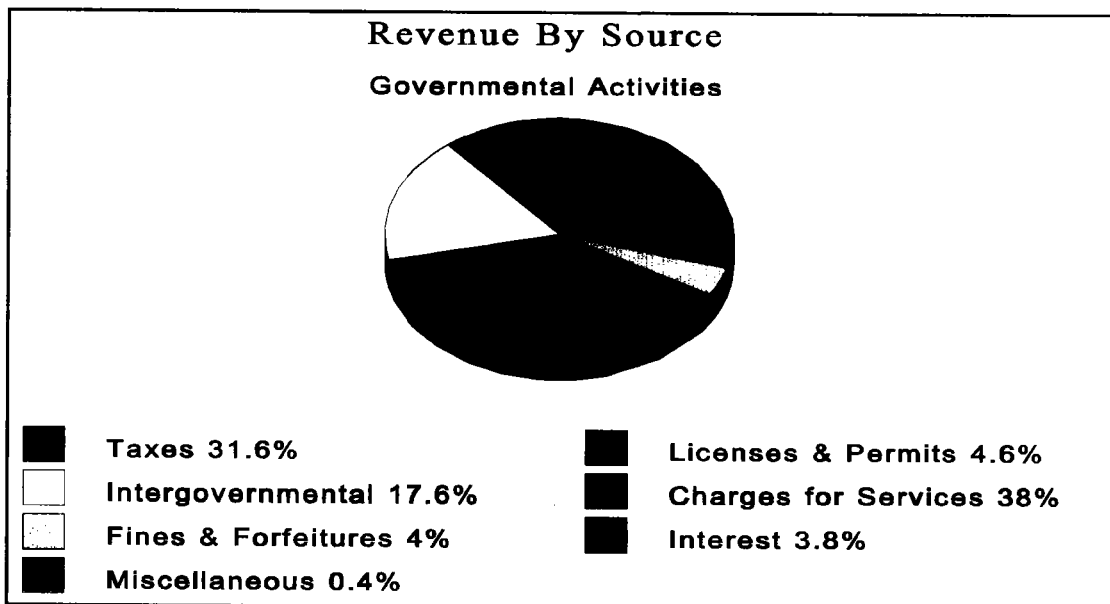
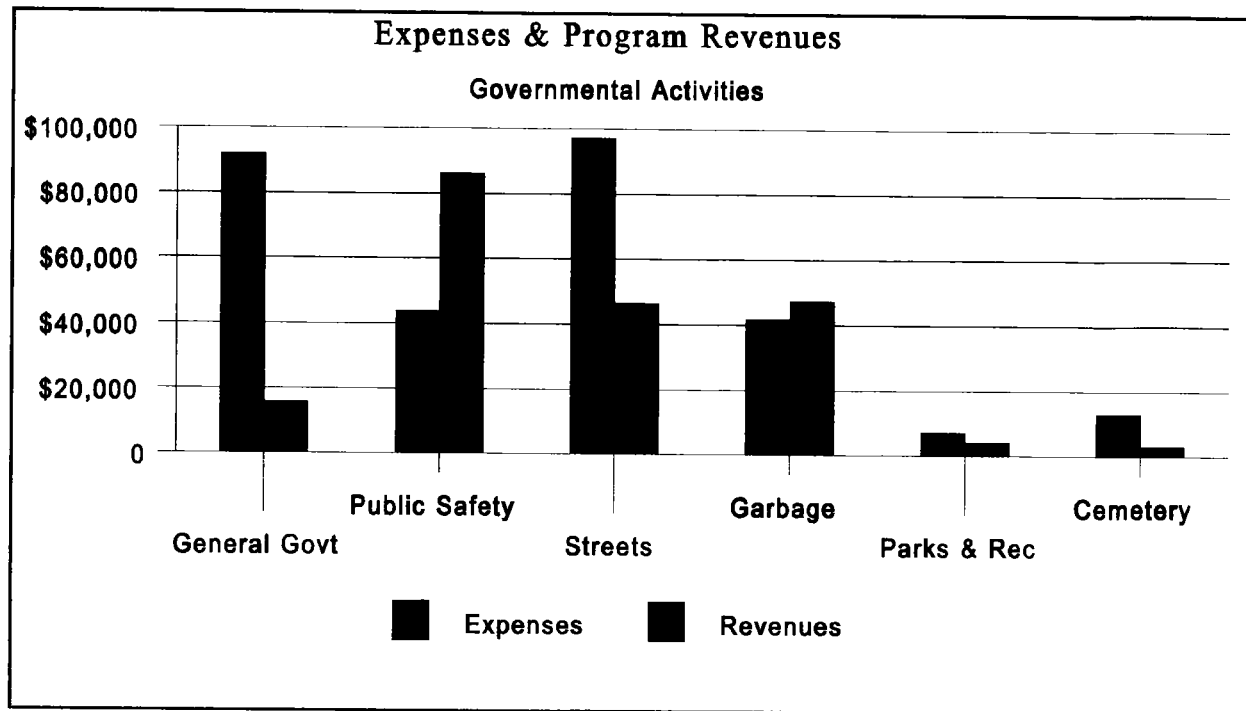
STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2005-2006</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2004-2005</u>
Current and Other Assets	\$ 202,231	\$ 242,104	\$ 209,741	\$ 131,035
Noncurrent Assets	<u>1,051,914</u>	<u>994,881</u>	<u>1,315,433</u>	<u>1,405,975</u>
Total Assets	<u>1,254,145</u>	<u>1,236,985</u>	<u>1,525,174</u>	<u>1,537,010</u>
Current Liabilities	13,466	18,107	31,979	36,840
Noncurrent Liabilities	<u>20,708</u>	<u>20,339</u>	<u>449,849</u>	<u>494,959</u>
Total Liabilities	<u>34,174</u>	<u>38,446</u>	<u>481,828</u>	<u>531,799</u>
Net Assets:				
Invested in Capital Assets,				
Net of related debt	889,470	963,751	865,584	867,487
Restricted	162,318	75,964	-	41,549
Unrestricted	<u>168,183</u>	<u>158,824</u>	<u>177,762</u>	<u>96,175</u>
Total Net Assets	<u>\$1,219,971</u>	<u>\$1,198,539</u>	<u>\$1,043,346</u>	<u>\$1,005,211</u>

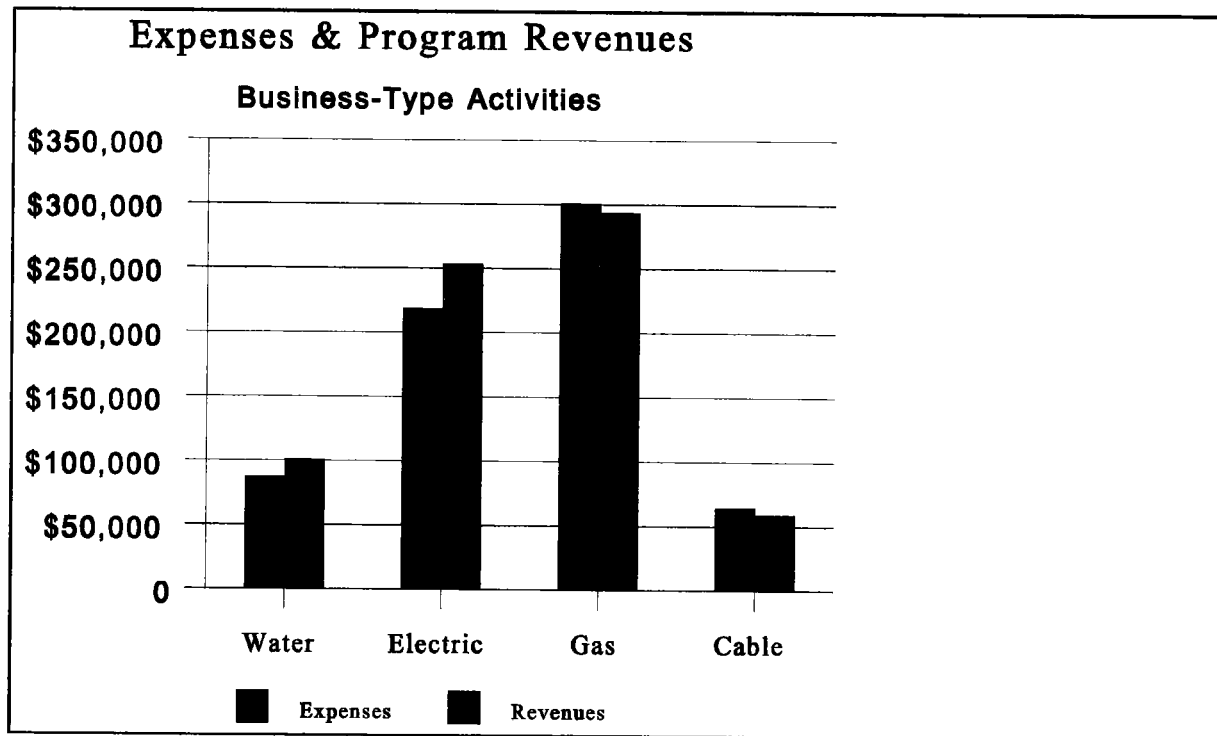
CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2005-2006</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2004-2005</u>
Revenues				
Program Revenues:				
Charges for Services	\$ 147,266	\$ 128,963	\$ 705,900	\$ 622,603
Operating Grants				
And Contributions	607	499	-	-
Capital Grants				
And Contributions	55,005	51,321	-	-
General Revenues:				
Property Taxes	24,223	20,801	-	-
Sales and Use Taxes	68,608	59,773	-	-
Vehicles Taxes	7,961	6,212	-	-
Other Revenues	<u>13,022</u>	<u>7,056</u>	<u>2,887</u>	<u>2,448</u>
Total Revenues	<u>316,692</u>	<u>274,625</u>	<u>708,787</u>	<u>625,051</u>
Expenses				
General Government	92,088	70,793	-	-
Garbage	41,871	31,980	-	-
Public Safety	43,847	51,245	-	-
Streets	97,170	81,756	-	-
Parks and Recreation	7,204	8,363	-	-
Cemetery	13,080	12,698	-	-
Water	-	-	87,565	67,886
Electric	-	-	218,201	276,851
Natural Gas	-	-	300,556	241,049
Cable	-	-	64,330	57,581
Total Expenses	<u>295,260</u>	<u>256,835</u>	<u>670,652</u>	<u>643,367</u>
Change in Net Assets	21,432	17,790	38,135	(18,316)
Net Assets Beginning	1,198,539	1,198,778	1,005,211	1,023,527
Prior Period Adjustment	-	(18,029)	-	-
Net Assets Ending	<u>\$1,219,971</u>	<u>\$1,198,539</u>	<u>\$1,043,346</u>	<u>\$1,005,211</u>

The following graphs display the government-wide activities for governmental activities reflected in the above tables. Program revenues included in the first graph are fees charged for specific services performed by the various governmental functions. General revenues such as property taxes, sales and uses taxes, etc. are not included.



The following graph displays the business-type activities for the fiscal year 2006. Program revenues are fees charged for water, electric, natural gas, and cable services.



FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. As of June 30, 2006, the Town's governmental funds reported fund equity of \$329,087. This represents an increase of \$95,255 over last year's ending balances.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses, are accounted for in this fund.

Taxes represent 31.6% of total general fund revenues. The largest element of taxes is sales and use taxes as it has been for the last several years. It represents 21.7% of total general fund revenues.

As stated earlier, the Town maintains four enterprise funds to account for the business-type activities of the Town. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund budget total was \$296,800. The Cemetery accounted for 18.8% of the final budget, the Park accounted for 2.8% of the final budget, the Garbage accounted for 15.7% of the final budget, Streets accounted for 19.4% of the final budget, Public Safety accounted for 18.0% of the final budget and General Government accounted for 25.3% of the final budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets- Levan Town's investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounts to \$2,204,903 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.), and machinery and equipment.

Major capital asset events during the current fiscal year include the following:

1. Ten Wheeler Truck \$10,500
2. Water and Electric System Improvements \$12,875

LEVAN TOWN'S CAPITAL ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2005-2006</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2004-2005</u>
Capital Assets Not Being Depreciated				
Land	\$ 57,400	\$ 57,400	\$ 22,005	\$ 22,005
Capital Assets Being Depreciated				
Buildings & Structures	219,298	219,298	-	-
Improvements	1,666,715	1,666,715	2,276,899	2,264,024
Machinery & Equipment	<u>89,340</u>	<u>78,840</u>	<u>46,176</u>	<u>46,176</u>
Total	2,032,753	2,022,253	2,345,080	2,332,205
Less Accumulated Depreciation	<u>(1,143,283)</u>	<u>(1,058,503)</u>	<u>(1,029,647)</u>	<u>(967,780)</u>
Total Capital Assets	<u>\$ 889,470</u>	<u>\$ 963,750</u>	<u>\$1,315,433</u>	<u>\$1,364,425</u>

Additional information on the Town's capital assets can be found in the footnotes to this financial report.

Long-term debt- At June 30, 2006, the Town had a total debt outstanding of \$463,284. Of this amount \$252,000 is considered to be general obligation debt and is backed by the full faith and credit of the Town. These general obligation bonds were issued specifically for natural gas fund and this enterprise fund provides all funding for the bonds' repayment.

LEVAN TOWN'S OUTSTANDING DEBT

	<u>Business-type Activities</u>	
	<u>2005-2006</u>	<u>2004-2005</u>
General Obligation Bonds		
1998 Natural Gas Refunding	\$ 252,000	\$ 256,000
Revenue Bonds		
1988 Electric	11,284	17,926
1992 Natural Gas	-	30,000
2004 Water	200,000	208,000
Notes Payable		
1984 Community Impact Board Loan	-	238
Total	<u>\$ 463,284</u>	<u>\$ 512,164</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The Town is well under what the State statute allows.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for Juab County as of December 2005 (of which Levan is a part) was 4.8% compared to a 3.1% for the State of Utah and a 4.6% for a national average. (Source: jobs.utah.gov Utah Dept of Workforce Services)
- The major projects budgeted for the fiscal year 2007 are cemetery improvements and a new ambulance.
- The population for Levan as of the beginning of the 2005-2006 fiscal year according to the U.S. Census Bureau was 812, which is 9% of Juab County's total population of 8,974 which had a 1.7% change from the previous year. (Source: jobs.utah.gov- Juab County Facts)

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Levan Town's finances for all those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

Levan Town, 20 North Main Box 40 Levan, Utah 84639

BASIC FINANCIAL STATEMENTS

LEVAN TOWN

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Activities	Business-type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 164,701	\$ 167,283	\$ 331,984
Accounts Receivable	37,530	42,458	79,988
TOTAL CURRENT ASSETS	202,231	209,741	411,972
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	162,318	-	162,318
Capital Assets			
Non Depreciable	57,400	22,005	79,405
Depreciable Assets (net of Depreciation)	832,070	1,293,428	2,125,498
Other Assets	126	-	126
TOTAL NONCURRENT ASSETS	1,051,914	1,315,433	2,367,347
TOTAL ASSETS	1,254,145	1,525,174	2,779,319
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	13,466	31,979	45,445
TOTAL CURRENT LIABILITIES	13,466	31,979	45,445
NONCURRENT LIABILITIES			
Due Within One Year	909	52,005	52,914
Due in More Than One Year	19,799	397,844	417,643
TOTAL NONCURRENT LIABILITIES	20,708	449,849	470,557
TOTAL LIABILITIES	34,174	481,828	516,002
NET ASSETS			
Investment in Capital Assets,			
Net of Related Debt	889,470	865,584	1,755,054
Restricted for			
Capital Projects	113,906	-	113,906
Perpetual Care	48,412	-	48,412
Unrestricted	168,183	177,762	345,945
TOTAL NET ASSETS	\$ 1,219,971	\$ 1,043,346	\$ 2,263,317

See the accompanying notes to the financial statements

LEVAN TOWN

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
<u>FUNCTIONS/PROGRAMS</u>				
Governmental Activities				
General Government	\$ 92,088	\$ 15,848	\$ -	\$ -
Public Safety	43,847	76,919	607	8,556
Streets	97,170	-	-	46,449
Garbage Collection	41,871	47,367	-	-
Parks and Recreation	7,204	4,169	-	-
Cemetery	13,080	2,963	-	-
Total Governmental Activities	295,260	147,266	607	55,005
Business-type Activities				
Water	87,565	100,739	-	-
Electric	218,201	253,057	-	-
Natural Gas	300,556	293,355	-	-
Cable	64,330	58,749	-	-
Total Business-type Activities	670,652	705,900	-	-
TOTAL PRIMARY GOVERNMENT	\$ 965,912	\$ 853,166	\$ 607	\$ 55,005

General Revenues

Property Taxes

Vehicle Taxes

Sales Taxes

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets**Primary Government**

Governmental Activities	Business-type Activities	Total
\$ (76,240)	-	\$ (76,240)
42,235	-	42,235
(50,721)	-	(50,721)
5,496	-	5,496
(3,035)	-	(3,035)
<u>(10,117)</u>	<u>-</u>	<u>(10,117)</u>
 (92,382)	 -	 (92,382)
 -	13,174	13,174
-	34,856	34,856
-	(7,201)	(7,201)
<u>-</u>	<u>(5,581)</u>	<u>(5,581)</u>
 -	35,248	35,248
 (92,382)	 35,248	 (57,134)
 24,223	-	24,223
7,961	-	7,961
68,608	-	68,608
12,010	2,887	14,897
1,012	-	1,012
<u>113,814</u>	<u>2,887</u>	<u>116,701</u>
21,432	38,135	59,567
<u>1,198,539</u>	<u>1,005,211</u>	<u>2,203,750</u>
 \$ 1,219,971	 \$ 1,043,346	 \$ 2,263,317

LEVAN TOWN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>Governmental-type Activities</u>		
	<u>General</u>	<u>Nonmajor Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 164,701	\$ -	\$ 164,701
Accounts Receivable	6,158	-	6,158
Property Tax Receivable	22,095	-	22,095
Class C Road Receivable	9,277	-	9,277
Restricted Cash	113,906	48,412	162,318
Other Assets	126	-	126
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 316,263	\$ 48,412	\$ 364,675
	<u> </u>	<u> </u>	<u> </u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 13,466	\$ -	\$ 13,466
Compensated Absences	909	-	909
Deferred Revenue	21,213	-	21,213
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	35,588	-	35,588
	<u> </u>	<u> </u>	<u> </u>
<u>FUND BALANCE</u>			
Reserved			
Class C Roads	71,145	-	71,145
Ambulance	42,761	-	42,761
Endowments	-	48,412	48,412
Unreserved	166,769	-	166,769
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND EQUITY	280,675	48,412	329,087
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND EQUITY	\$ 316,263	\$ 48,412	\$ 364,675
	<u> </u>	<u> </u>	<u> </u>

See the accompanying notes to the financial statements

LEVAN TOWN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2006

TOTAL GOVERNMENTAL FUNDS BALANCES	\$	329,087
-----------------------------------	----	---------

Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds		889,470
--	--	---------

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds		21,213
---	--	--------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(19,799)</u>
--	--	-----------------

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>1,219,971</u>
---	----	------------------

See the accompanying notes to the financial statements

LEVAN TOWN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	<u>Governmental-type Activities</u>		Total Governmental Funds
	<u>General</u>	<u>Nonmajor Fund</u>	
<u>REVENUES</u>			
Taxes	\$ 99,823	\$ -	\$ 99,823
Licenses and Permits	14,572	-	14,572
Intergovernmental	55,612	-	55,612
Charges for Services	120,015	-	120,015
Fines and Forfeitures	12,678	-	12,678
Interest	11,486	525	12,011
Miscellaneous	1,012	-	1,012
TOTAL REVENUES	315,198	525	315,723
<u>EXPENDITURES</u>			
General Government	84,120	-	84,120
Public Safety	41,505	-	41,505
Streets	35,420	-	35,420
Garbage Collection	41,603	-	41,603
Parks and Recreation	5,431	-	5,431
Cemetery	12,389	-	12,389
TOTAL EXPENDITURES	220,468	-	220,468
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	94,730	525	95,255
BEGINNING FUND BALANCE	185,945	47,887	233,832
ENDING FUND BALANCE	\$ 280,675	\$ 48,412	\$ 329,087

See the accompanying notes to the financial statements

LEVAN TOWN

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS	\$ 95,255
---	-----------

*Amounts reported for governmental activities in the statement of activities
are different because*

Property taxes will not be collected for several months after the City's fiscal year end. They are not considered to be available revenues in the governmental funds. Deferred property tax revenues decreased by this amount this year.	969
--	-----

Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(74,281)
--	----------

Some revenues and expenses reported in the statement of activities do not add to or required the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.	<u>(511)</u>
---	--------------

CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS	<u>\$ 21,432</u>
--	------------------

See the accompanying notes to the financial statements

LEVAN TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	with Final Budget
REVENUES				
Taxes	\$ 83,200	\$ 83,200	\$ 99,823	\$ 16,623
Licenses and Permits	8,800	8,800	14,572	5,772
Intergovernmental	84,100	85,100	55,612	(29,488)
Charges for Services	107,750	107,800	120,015	12,215
Fines and Forfeitures	7,000	7,000	12,678	5,678
Interest	2,000	2,150	11,486	9,336
Miscellaneous	1,500	300	1,012	712
TOTAL REVENUES	294,350	294,350	315,198	20,848
EXPENDITURES				
General Government	73,450	75,300	84,120	(8,820)
Public Safety	55,550	53,700	41,505	12,195
Streets	57,600	57,600	35,420	22,180
Garbage Collection	46,600	46,600	41,603	4,997
Parks and Recreation	7,700	7,700	5,431	2,269
Cemetery	55,900	55,900	12,389	43,511
TOTAL EXPENDITURES	296,800	296,800	220,468	76,332
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(2,450)	(2,450)	94,730	97,180
FUND BALANCE ALLOCATION	2,450	2,450	-	(2,450)
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	\$ -	\$ -	\$ 94,730	\$ 94,730

See the accompanying notes to the financial statements

LEVAN TOWN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Business-type Activities - Enterprise Funds				
	Water	Electric	Natural Gas	Nonmajor Fund	Total Enterprise Funds
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 23,163	\$ 109	\$ 106,078	\$ 37,933	167,283
Accounts Receivable	12,134	5,798	16,620	7,906	42,458
Due from Other Fund	75,600	-	-	-	75,600
TOTAL CURRENT ASSETS	110,897	5,907	122,698	45,839	285,341
NONCURRENT ASSETS					
Capital Assets					
Land	-	22,005	-	-	22,005
Improvements	949,031	760,699	493,038	74,131	2,276,899
Machinery and Equipment	10,373	25,430	10,373	-	46,176
Less Accumulated Depreciation	(412,113)	(377,839)	(198,966)	(40,729)	(1,029,647)
TOTAL NONCURRENT ASSETS	547,291	430,295	304,445	33,402	1,315,433
TOTAL ASSETS	658,188	436,202	427,143	79,241	1,600,774
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	380	14,092	10,012	3,041	27,525
Compensated Absences	1,219	1,219	1,219	348	4,005
Accrued Interest Payable	3,290	-	1,164	-	4,454
Due to Other Fund	-	75,600	-	-	75,600
Current Portion of Long-Term Debt	8,000	-	40,000	-	48,000
TOTAL CURRENT LIABILITIES	12,889	90,911	52,395	3,389	159,584
NONCURRENT LIABILITIES					
Bonds Payable	192,000	11,284	194,560	-	397,844
TOTAL NONCURRENT LIABILITIES	192,000	11,284	194,560	-	397,844
TOTAL LIABILITIES	204,889	102,195	246,955	3,389	557,428
NET ASSETS					
Investment in Capital Assets,					
Net of Related Debt	344,001	419,011	68,721	33,402	865,135
Unrestricted	109,298	(85,004)	111,467	42,450	178,211
TOTAL NET ASSETS	\$ 453,299	\$ 334,007	\$ 180,188	\$ 75,852	\$ 1,043,346

See the accompanying notes to the financial statements

LEVAN TOWN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds				
	Water	Electric	Natural Gas	Nonmajor Fund	Total Enterprise Funds
<u>OPERATING REVENUES</u>					
Charges for Services	\$ 85,715	\$ 239,957	\$ 288,679	\$ 58,749	\$ 673,100
Connection Fees	7,603	7,807	4,669	-	20,079
Miscellaneous	7,421	5,293	7	-	12,721
TOTAL OPERATING REVENUES	100,739	253,057	293,355	58,749	705,900
<u>OPERATING EXPENSES</u>					
Salaries, Wages and Benefits	44,421	36,395	44,422	12,001	137,239
Operations	11,051	160,220	233,745	49,681	454,697
Depreciation	25,332	20,869	13,017	2,648	61,866
TOTAL OPERATING EXPENSES	80,804	217,484	291,184	64,330	653,802
OPERATING INCOME (LOSS)	19,935	35,573	2,171	(5,581)	52,098
<u>NON-OPERATING REVENUES (EXPENSES)</u>					
Interest Income	-	4	2,883	-	2,887
Interest Expense	(6,761)	(717)	(9,372)	-	(16,850)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(6,761)	(713)	(6,489)	-	(13,963)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	13,174	34,860	(4,318)	(5,581)	38,135
Transfers from Other Funds	-	-	-	7,000	7,000
Transfers to Other Funds	(7,000)	-	-	-	(7,000)
CHANGE IN NET ASSETS	6,174	34,860	(4,318)	1,419	38,135
TOTAL NET ASSETS AT BEGINNING OF YEAR	447,125	299,147	184,506	74,433	1,005,211
TOTAL NET ASSETS AT END OF YEAR	\$ 453,299	\$ 334,007	\$ 180,188	\$ 75,852	\$ 1,043,346

See the accompanying notes to the financial statements

LEVAN TOWN

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds				Total Enterprise Funds
	Water	Electric	Natural Gas	Nonmajor Fund	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Receipts from Customers	\$ 99,763	\$ 250,888	\$ 297,510	\$ 59,142	\$ 707,303
Payments to Suppliers	(11,003)	(172,412)	(223,778)	(51,116)	(458,309)
Payments to Employees	(44,336)	(36,310)	(44,337)	(11,974)	(136,957)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>44,424</u>	<u>42,166</u>	<u>29,395</u>	<u>(3,948)</u>	<u>112,037</u>
<u>CASH FLOWS FROM NONCAPITAL ACTIVITIES</u>					
Transfer from Other Fund	-	-	-	7,000	7,000
Transfer to Other Fund	(7,000)	-	-	-	(7,000)
Due to Other Fund	-	(27,087)	-	-	(27,087)
Due from Other Fund	(46,164)	-	73,251	-	27,087
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(53,164)</u>	<u>(27,087)</u>	<u>73,251</u>	<u>7,000</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Acquisition of Capital Assets	(5,155)	(7,719)	-	-	(12,874)
Debt Payments	(8,238)	(6,642)	(30,512)	-	(45,392)
Interest Expense	(6,893)	(717)	(10,488)	-	(18,098)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(20,286)</u>	<u>(15,078)</u>	<u>(41,000)</u>	<u>-</u>	<u>(76,364)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Interest Income	-	4	2,883	-	2,887
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>4</u>	<u>2,883</u>	<u>-</u>	<u>2,887</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(29,026)</u>	<u>5</u>	<u>64,529</u>	<u>3,052</u>	<u>38,560</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>52,189</u>	<u>104</u>	<u>41,549</u>	<u>34,881</u>	<u>128,723</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 23,163</u>	<u>\$ 109</u>	<u>\$ 106,078</u>	<u>\$ 37,933</u>	<u>\$ 167,283</u>

See the accompanying notes to the financial statements

LEVAN TOWN

STATEMENT OF CASH FLOWS (CONTINUED)

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds				Total Enterprise Funds
	Water	Electric	Natural Gas	Nonmajor Fund	
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 19,935	\$ 35,573	\$ 2,171	\$ (5,581)	\$ 52,098
Adjustments					
Depreciation	25,332	20,869	13,017	2,648	61,866
Changes in Assets and Liabilities					
Accounts Receivable	(976)	(2,169)	4,155	393	1,403
Accounts Payable	48	(12,192)	9,967	(1,435)	(3,612)
Compensated Absences	85	85	85	27	282
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 44,424	\$ 42,166	\$ 29,395	\$ (3,948)	\$ 112,037

See the accompanying notes to the financial statements

LEVAN TOWN, UTAH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Levan, Utah (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the Town's accounting policies.

Financial Reporting Entity

The Town of Levan is incorporated under the laws of the State of Utah. The Town is a municipal corporation governed by an elected five-member Council and Mayor. The Town provides municipal services under the following organizational structure:

General Government: Mayor and Town Council, Justice Court, Treasurer and Clerk

Public Safety: Police (under contract with Juab County), Fire and Emergency Medical Services, Building Inspection, Planning and Zoning

Public Works: Streets, Water, Electric, Cable and Natural Gas

Parks and Recreation

Cemetery

Government-wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the Town receives cash.

The Town reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The *water fund* accounts for the activities of the Town's water production, treatment and distribution operations.

The *electric fund* accounts for the activities of the Town's electric generation and distribution operations.

The *natural gas fund* accounts for the activities of the Town's natural gas distribution operations.

Activities of these three funds include administration, operations and maintenance of the systems, and billing and collection. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

NOTE 1 - (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the general fund by various enterprise funds for the providing of administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Fund Equity

A. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. Town policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the Town's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

B. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as "internal balances".

C. Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as "restricted cash" on the statement of net assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

NOTE 1 - (CONTINUED)

D. Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and Structures	20-50 years
Improvements and Infrastructure	7-40 years
Machinery and Equipment	3-15 years

E. Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. The accumulated sick leave is earned at a rate of one day per month. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate up to 15 days of sick leave. Employees who retire are paid for accumulated sick leave at retirement.

F. Long-term liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

G. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 1 - (CONTINUED)

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the Town's management for specific purposes. These represent tentative management plans that are subject to change.

H. Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Inter-Fund Transactions

During the course of normal operations, the Town has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc.. These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

Deferred Revenue

Property taxes due November 30, 2006 and unpaid from 2005 are shown as deferred revenue.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

NOTE 2 - (CONTINUED)

Capital Asset Differences

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Land	\$ 57,400
Buildings and Structures	219,298
Improvements and Infrastructure	1,666,715
Machinery, Equipment and Vehicles	89,340
Less Accumulated Depreciation	<u>(1,143,283)</u>
Net Capital Asset Difference	<u>\$ 889,470</u>

Other Long-Term Asset Differences

Property taxes due in November 2006 are reported as deferred revenues in the governmental fund balance sheet. However, they are reported as current year revenues in the statement of net assets. The details of these differences are presented below:

Property taxes collectible in November 2006	<u>\$ 21,213</u>
---	------------------

Long-Term Liability Differences

The long-term portion of compensated absences is not due and payable in the current period and therefore, is not reported in the funds.

Long -Term Compensated Absences	<u>\$ (19,799)</u>
---------------------------------	--------------------

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Capital Outlay	\$ 10,500
Depreciation Expense	<u>(84,781)</u>
Net Difference	<u>\$ (74,281)</u>

Other Revenues and Expenses

The current increase in the long-term portion of compensated absences does not require the use of current financial resources and therefore, is not reported as an expenditure in the governmental funds.

Increase in Compensated Absences	<u>\$ (511)</u>
----------------------------------	-----------------

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meeting of the Town Council in May, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the Town Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

Under Utah State law, the Town's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

The Mayor has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The Town Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

The annual budget for the general fund was legally adopted by the Town and is prepared on the modified-accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all Town funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the Town in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and are delinquent after November 30th of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the Town monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the Town.

NOTE 4 - DEPOSITS AND INVESTMENTS

The Town maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by several of the Town's funds. Deposits are not collateralized nor are they required to be by State statute.

NOTE 4 - (CONTINUED)

Deposits and investments for Towns are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7) (The Act) and by rules of the Utah Money Management Council (The Council). Following are discussions of the Town's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be recovered. The Town's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the Town to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, none of the Town's bank balances of \$95,584 were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Town's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The Town government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subjected to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

The following are the Town's investments at June 30, 2006

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public Treasurer's Investment Fund (PTIF)	\$ <u>387,863</u>	\$ <u>387,863</u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Town manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the Town's investments are noted above.

NOTE 4 - (CONTINUED)

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	\$ 106,339
Investments	387,863
Cash on Hand	<u>100</u>
Total	\$ <u>494,302</u>
Cash and Cash Equivalents	\$ 331,984
Restricted Cash and Cash Equivalents	<u>162,318</u>
Total	\$ <u>494,302</u>

NOTE 5 - RECEIVABLES

Property taxes are levied on January 1 of 2006, are due in November of 2006, and are budgeted for the 2006 fiscal year. Even though they are not intended to fund the 2006 fiscal year, they must be recognized as an asset because the Town has an enforceable claim to the revenue. The property taxes that have been remitted to the Town within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

Licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other items are considered to be measurable and available only when cash is received by the Town.

The following is a summary of receivables at June 30, 2006:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Receivable	\$ 6,158	\$ 42,458	\$ 48,616
Property Taxes Receivable	22,095	-	22,095
Class C Road Receivable	<u>9,277</u>	<u>-</u>	<u>9,277</u>
Total	\$ <u>37,530</u>	\$ <u>42,458</u>	\$ <u>79,988</u>

NOTE 6 - CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2006.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 57,400	\$ -	\$ -	\$ 57,400
Capital Assets being Depreciated				
Buildings	219,298	-	-	219,298
Improvements	1,666,715	-	-	1,666,715
Machinery and Equipment	<u>78,840</u>	<u>10,500</u>	-	<u>89,340</u>
Total	2,022,253	10,500	-	2,032,753
Less Accumulated Depreciation	<u>(1,058,503)</u>	<u>(84,780)</u>	-	<u>(1,143,283)</u>
Governmental Activities Capital Assets, Net	<u>\$ 963,750</u>	<u>\$ (74,280)</u>	<u>\$ -</u>	<u>\$ 889,470</u>

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2006.

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 22,005	\$ -	\$ -	\$ 22,005
Capital Assets being Depreciated				
Improvements	2,264,024	12,875	-	2,276,899
Machinery and Equipment	<u>46,176</u>	<u>-</u>	-	<u>46,176</u>
Total	2,332,205	12,875	-	2,345,080
Less Accumulated Depreciation	<u>(967,780)</u>	<u>(61,867)</u>	-	<u>(1,029,647)</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,364,425</u>	<u>\$ (48,992)</u>	<u>\$ -</u>	<u>\$ 1,315,433</u>

NOTE 6 - (CONTINUED)

Depreciation was charged to the functions/programs of the primary government as follows:

Governmental Activities	
General Government	\$ 7,936
Public Safety	2,342
Streets	72,039
Parks and Recreation	1,773
Cemetery	<u>691</u>
Total Depreciation Expense-Governmental Activities	\$ <u>84,781</u>
Business-type Activities	
Water	\$ 25,332
Sewer	20,869
Natural Gas	13,017
Cable	<u>2,648</u>
Total Depreciation Expense-Business-type Activities	\$ <u>61,866</u>

NOTE 7 - INVESTMENT IN JOINT VENTURE

UTAH MUNICIPAL POWER AGENCY

In September 1980, Levan Town joined in a joint venture with several other municipalities to create the Utah Municipal Power Agency (UMPA). UMPA was created under the Interlocal Co-operation Act to evaluate, finance, construct and operate facilities for the generation, transmission and distribution of electric power for member cities.

Additional information is as follows:

a. Participants and their percentage shares:

Levan Town	0.602%
Spanish Fork City	9.409%
Provo City Corporation	80.540%
Nephi City Corporation	5.839%
Manti City Corporation	2.164%
Salem City Corporation	<u>1.446%</u>
	<u>100.000%</u>

- b. UMPA is governed by a Board of Directors which is comprised of six directors. The Mayor and City Council of each member City appoints one director. All decisions of the Board are made by majority vote, except in specific decisions as described in the Interlocal Co-operation Agreement, which stipulates that votes shall be by number of kilowatt hours sold. For Provo to prevail in a tie vote they would need one additional city to vote with them.
- c. The UMPA Board of Directors governs the operations of the Agency through management employed by the Board. Since UMPA is subject to the same laws as the creating entities, it must follow State law for cities in the areas of fiscal management, budgeting, and financing.

NOTE 7 - (CONTINUED)

d. Summary financial information of UMPA at June 30, 2005 is as follows:

	<u>UMPA</u>
Total Assets	\$ 57,916,481
Total Liabilities	<u>(57,913,131)</u>
Total Net Assets	\$ <u>3,350</u>
Total Operating Revenues	\$ 59,003,956
Total Operating Expenses	<u>53,458,446</u>
Net Operating Income (Expense)	5,545,510
Total Non-Operating Income (Expense)	<u>(5,545,510)</u>
Change in Net Assets	\$ <u>-</u>

e. The joint venture has the following long-term debt:

	<u>Total Amount</u>
Revenue Bonds Payable	\$ <u>40,119,028</u>

f. Audited financial statements for Utah Municipal Power Agency are available at UMPA's office at 40 South Main, Spanish Fork, Utah 84660.

NOTE 8 - LONG-TERM DEBT

The following is a summary of changes in long-term debt of the Town for the year ended June 30, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type Activities</u>					
Notes Payable					
1984 Community Impact Board Loan	\$ 238	\$ -	\$ 238	\$ -	\$ -
General Obligation Bonds					
Natural Gas Refunding	256,000	-	4,000	252,000	40,000
Revenue Bonds					
1988 Electric	17,926	-	6,642	11,284	-
1992 Natural Gas	30,000	-	30,000	-	-
2004 Water	<u>208,000</u>	<u>-</u>	<u>8,000</u>	<u>200,000</u>	<u>8,000</u>
	\$ <u>512,164</u>	\$ <u>-</u>	\$ <u>48,880</u>	463,284	\$ <u>48,000</u>
Unamortized Bond Issuance Costs				<u>(17,440)</u>	
				\$ <u>445,844</u>	

NOTE 8 - (CONTINUED)

Long-term debt and obligations payable at June 30, 2006 were as follows:

<u>Business-type Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
Bonds Payable				
Electric Revenue Bonds, Series 1988, Dated August 1, 1988 (original amount--\$100,000)	4.0%	2009	\$ -	\$ 11,284
Natural Gas Utility General Obligation Refunding Series 1998, Dated January 20, 1998 (original amount--\$284,000)	5.15% to 5.55%	2011	40,000	212,000
Water Revenue, Series 2004, Dated February 17, 2004 (original amount--\$208,000)	3.29%	2025	8,000	192,000
Compensated Absences			4,005	-
Unamortized Bond Issuance Costs			-	(17,440)
Total Business-type Activities Long-term Debt			\$ 52,005	\$ 397,844

Principal and interest requirements to retire the Town's long-term obligations are as follows:

	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 48,000	\$ 13,566
2008	63,907	12,534
2009	64,378	10,275
2010	63,000	8,951
2011	66,000	6,658
2012-2016	48,000	22,931
2017-2021	57,000	14,443
2022-2025	53,000	4,409
	<u>\$ 463,285</u>	<u>\$ 93,767</u>

NOTE 9 - RESERVED FUND EQUITY

The Class "C" Roads allotment from the state excise tax is reserved for construction and maintenance of Town streets and roads. The Town has designated \$42,761 for ambulance department capital projects. A perpetual trust fund is designed to provide future operating costs for the cemetery. Funds are collected at the time a lot is sold and a percentage of the fee is transferred to the trust fund.

NOTE 10 - RETIREMENT PLANS

Plan Description

Levan Town contributes to the Local Governmental Noncontributory Retirement system cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems, (Systems). Utah Retirement systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the systems and plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, Levan Town is required to contribute 11.09% of plan members' annual covered salary. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Levan Town contributions to the Noncontributory Retirement System for June 30, 2006, 2005 and 2004 were \$8,854, \$8,854 and \$7,617, respectively. The contributions were equal to the required contributions for each year.

NOTE 11 - RISK MANAGEMENT

Levan Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Town is unable to obtain insurance to cover these risks at a cost it considers to be economically justifiable. The Town joined together with other governments in the State of Utah to form the Utah Local Governments Trust (ULGT), a public entity risk pool currently operating as a common risk management and insurance program for Utah State governments. The Town pays an annual premium to ULGT for its general insurance coverage.

The Town also carries errors and omissions liability insurance coverage through a commercial insurance company. Settled claims from this risk type have not exceeded coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

LEVAN TOWN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND
JUNE 30, 2006

	<u>Permanent Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 48,412</u>
TOTAL ASSETS	<u>\$ 48,412</u>
<u>LIABILITIES AND FUND EQUITY</u>	
<u>FUND BALANCE</u>	
Reserved for Endowments	<u>48,412</u>
TOTAL FUND EQUITY	<u>48,412</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 48,412</u>

LEVAN TOWN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUND FOR THE YEAR ENDED JUNE 30, 2006

	<u>Permanent Fund</u>
<u>REVENUES</u>	
Interest	<u>\$ 525</u>
 TOTAL REVENUES	 <u>525</u>
 EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	 525
 FUND BALANCE JULY 1, 2004	 <u>47,887</u>
 FUND BALANCE JUNE 30, 2005	 <u>\$ 48,412</u>

LEVAN TOWN

COMBINING STATEMENT OF NET ASSETS

NONMAJOR ENTERPRISE FUND

JUNE 30, 2006

	<u>Cable</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 37,933
Accounts Receivable	<u>7,906</u>
TOTAL CURRENT ASSETS	<u>45,839</u>
NONCURRENT ASSETS	
Capital Assets	
Improvements	74,131
Less Accumulated Depreciation	<u>(40,729)</u>
TOTAL NONCURRENT ASSETS	<u>33,402</u>
TOTAL ASSETS	<u>79,241</u>
<u>LIABILITIES</u>	
CURRENT LIABILITIES	
Accounts Payable	3,041
Compensated Absences	<u>348</u>
TOTAL CURRENT LIABILITIES	<u>3,389</u>
TOTAL LIABILITIES	<u>3,389</u>
<u>NET ASSETS</u>	
Investment in Capital Assets,	
Net of Related Debt	33,402
Unrestricted	<u>42,450</u>
TOTAL NET ASSETS	<u>\$ 75,852</u>

LEVAN TOWN

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS NONMAJOR ENTERPRISE FUND FOR THE YEAR ENDED JUNE 30, 2006

	<u>Cable</u>
<u>OPERATING REVENUES</u>	
Charges for Services	<u>\$ 58,749</u>
 TOTAL OPERATING REVENUES	 <u>58,749</u>
 <u>OPERATING EXPENSES</u>	
Salaries, Wages and Benefits	12,001
Operations	49,681
Depreciation	<u>2,648</u>
 TOTAL OPERATING EXPENSES	 <u>64,330</u>
 OPERATING INCOME (LOSS)	 <u>(5,581)</u>
 <u>TRANSFERS</u>	
Transfers from Other Funds	<u>7,000</u>
 TOTAL TRANSFERS	 <u>7,000</u>
 CHANGE IN NET ASSETS	 1,419
 TOTAL NET ASSETS AT BEGINNING OF YEAR	 <u>74,433</u>
 TOTAL NET ASSETS AT END OF YEAR	 <u>\$ 75,852</u>

LEVAN TOWN

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUND FOR THE YEAR ENDED JUNE 30, 2006

	<u>Cable</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers	\$ 59,142
Payments to Suppliers	(51,116)
Payments to Employees	<u>(11,974)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(3,948)</u>
<u>CASH FLOWS FROM NONCAPITAL ACTIVITIES</u>	
Transfer from Other Fund	<u>7,000</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>7,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,052
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>34,881</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 37,933</u>

	<u>Cable</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ (5,581)
Adjustments	
Depreciation	2,648
Changes in Assets and Liabilities	
Accounts Receivable	393
Accounts Payable	(1,435)
Compensated Absences	<u>27</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (3,948)</u>

STATE LEGAL COMPLIANCE REPORT

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

August 30, 2006

**The Honorable Mayor
Members of the Town Council
Town of Levan, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the Town of Levan, Utah, as of and for the year ended June 30, 2006 and have issued my report thereon dated August 30, 2006. As part of my audit, I have audited the Town of Levan's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

**"C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)**

The Town also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the Town's financial statements.)

Ambulance Grants

My audit also included testwork on the Town's compliance with the following general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

**Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and
Property Tax Limitations
Class C Road Funds**

**Special Districts
Other General Issues
Uniform Building Code Standards
Liquor Law Enforcement
Justice Courts
Impact Fees**

The management of the Town of Levan is responsible for the Town's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. I considered these instances of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, the Town of Levan, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.


Greg Ogden,
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

August 30, 2006

Honorable Mayor
Members of the Town Council
Town of Levan, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the Town of Levan, Utah, as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements and have issued my report thereon dated August 30, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Levan Town, Utah's control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Levan, Utah's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, the Town's management, and the Town Council and is not intended to be and should not be used by anyone other than these specified parties.


Greg Ogden
Certified Public Accountant

TOWN OF LEVAN, UTAH

MANAGEMENT LETTER
JUNE 30, 2006

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

August 30, 2006

**Honorable Mayor
Members of the Town Council
Town of Levan, UT**

Council Members:

The primary purpose of my audit of the basic financial statements of Levan Town, Utah for the year ended June 30, 2006, was to enable me to form an opinion as to the financial position of the Town at that date and the results of its operations for the year then ended. Part of my continuing professional responsibility to my clients is to offer constructive suggestions relative to the Town's internal control structure and other matters that come to my attention during my audit of your financial statements. Your internal control structure is extremely important because it is the principal safeguard against irregularities which an audit may not disclose.

Enclosed for your information and consideration are my comments and suggestions relating to internal accounting controls and other general matters which came to my attention during my audit of the financial statements. I have not performed any auditing procedures beyond the date of my opinion on the financial statements; accordingly, this letter is based on my knowledge as of that date and should be read with that understanding.

In those instances where the need for improvement of internal accounting controls may be indicated, I have satisfied myself by extension of audit tests and review that the indicated weaknesses have not had a significant effect upon the financial statements for the year ended June 30, 2006. Since the purpose of my audit was not to make an intensive study of the matters commented upon, additional investigation may be required before acting on my suggestions.

My suggestions deal exclusively with operational, accounting, and recordkeeping systems and procedures, and should not be regarded as a reflection on the integrity or capabilities of anyone in your organization.

I appreciate the cooperation and assistance I have received from the Town's personnel in connection with my audit and in developing these recommendations.

This report is intended solely for the use of the management of the Town of Levan, Utah. However, this report is a matter of public record and its distribution is not limited.

I would be pleased to discuss any of these matters with you and your representatives at your convenience and, if desired, to assist you in implementing any of these suggestions.


**Greg Ogden,
Certified Public Accountant**

STATE COMPLIANCE REQUIREMENTS FINDINGS

FINDING - THE ADMINISTRATION DEPARTMENT EXCEEDED ITS BUDGET

State law requires that departmental expenditures be limited to the budgeted amounts. The administration department exceeded its budget for the year ended June 30, 2006.

RECOMMENDATION

I recommend that expenditures be kept within the budgeted amounts. The Town should review the budget at the end of the year and amend it if necessary to ensure that no departmental budgets are overspent.

RESPONSE - LEVAN TOWN

We will review our budget and amend it as necessary.

FINDING - TREASURER'S BOND

Utah Code 51-7-15 requires the Town to secure a fidelity bond for the treasurer based on the previous year's budgeted gross revenues. Levan Town's level of budgeted gross revenues would require a bond in the amount of \$70,000. The Town Treasurer is currently bonded for \$65,000.

RECOMMENDATION

I recommend that the amount of the treasurer's bond be increased sufficient to comply with the State requirement. It may be wise to increase the bond beyond the current requirement to ensure that the bond is high enough for future increases in budgeted revenues.

RESPONSE - LEVAN TOWN

We will increase the amount of our treasurer's bond to the level required by the State.

Town of Levan 20 North Main • P.O. Box 40 • Levan, Utah 84639-0040

Phone: (435) 623-1959

Fax: (435) 623-2730

State of Utah
Office of the State Auditor
Utah State Capitol Complex
East Office Building, Suite E310
PO Box 142310
Salt Lake City, Utah 84114-2310

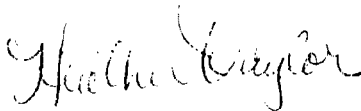
March 2, 2007

To Whom It May Concern:

We have received your letter regarding our negative unrestricted net assets in the electric fund. We have posted it on our agenda for the Council to approve a transfer of \$60,000.00 from our natural gas fund into our electric fund for our March 14, 2007 meeting. We have also raised the rates on our electric service and have re-allocated our distribution of wages, salaries, benefits and expenses. We feel that this should off-set our unrestricted net assets and bring the fund into balance.

Should you have any additional questions, please feel free to contact our office.

Thank You,



Heather Taylor
Levan Town Clerk
P.O. Box 40
Levan, UT 84639
(435) 623-1959
(435) 623-2730 FAX

cc. Mayor Robert Shepherd
Greg Ogden, CPA